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Perkins, Charles R.

The agent

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The AGENT

A LECTURE
To Insurance Women
Given Under the Auspices *of*
The Insurance Society *of* New York

April 8, 1918

By
CHARLES R. PERKINS
Assistant Manager
North British & Mercantile Insurance Co.
Vice President
Mercantile Insurance Co. of America
Commonwealth Insurance Co. of New York
Pennsylvania Fire Insurance Co.

10 March, 1920 - C.R.W.

THE AGENT

THE customary way in which agents are appointed is upon the recommendation of the special agents. All companies have blanks for this purpose which require certain details to be filled in giving necessary particulars embracing the amount of commission payable; other companies represented in the agency; time limit in which balances are to be paid, and whether bond is necessary. In the letter of appointment which usually accompanies the commission of authority to the agent, he is given general instructions as to the underwriting policy of the company and such other details as the company prescribes for the guidance of agents.

Agents are compensated in several different ways; some by commissions alone, some by commissions and contingents, and in a few cases by salary. Those who are compensated in the latter manner represent as a rule but one company only, or a group of companies under the same control, and salaried agents are only to be found in large cities,

say, where the population exceeds 100,000. Their salaries are generally predicated upon the amount of premium produced for their principal.

One of the growing evils of the business has been the multiplicity of agents; by that I mean, with the possible exception of ten to a dozen of the leading cities of the United States, there are far too many agents as compared with the amount of business which is to be had, and yet I fail to see wherein any change for the better in this respect is in prospect. Each company naturally wants as many good agents as it can secure and the Special Agents are all more or less aggressively at work to that end. It is not infrequent to find in a small town of 2,500 to 3,000 inhabitants a dozen or more insurance agents representing between them anywhere from 50 to 75 companies. This, of course, is a bit ridiculous in a way, because three or four companies, or half a dozen at the outside, would probably be able to write up the entire business of the place.

Speaking of multiplicity of agents, I am reminded of a banquet that I attended not long ago at which the principal speaker of the evening came from a town with a population of about 16,000 people. There are, however, only five insurance agents in the entire place, and ordinarily in towns of this size there are more apt to be 15 to 20, and

the answer lies in the peculiar combination that these agents have relative to taking on the agency of the various companies that want to do business in their town.

The agents have a little club, where they meet daily for luncheon, and when a special agent comes to town with a new company he is invited to luncheon to meet with the five agents. He presents his case and if the agents feel that the company is worthy of representation they draw lots as to which agent will accept the agency of the company, with the guarantee that the company will receive its fair share of the business according to its size, standing, etc. The agent who *loses* is obliged to take the agency of the company.

In this peculiar way they prevent new agencies from springing up and, naturally, divide all of the business there is in the town and surrounding territory that they cover. It is the only place that I have heard of where such a scheme is worked, but it certainly reduces competition, and while it is practically a monopoly, nevertheless it seems to work out satisfactorily to all interested parties.

Agents, as you probably all know, report their business to the company by daily reports, which should be a copy of the policies issued. These reports should be forwarded promptly to the company, although a few

agents make a practice of sending them in batches, say, a week apart. This latter system is wrong and should be discouraged, for a company should know as quickly as possible just what liability it has assumed. It may not be always practicable for a daily report to be written up promptly; for instance, for some reason or other a policy may not be ready to be issued; in that case, a binder should be sent to the company giving a synopsis of the risk covered.

The careful and conscientious agent will not bind his companies upon any risks that he is doubtful about. He will either decline same outright or he will submit the business in advance to the companies for their approval or otherwise. I am sorry to say, however, that there are a great many agents who have the habit of putting it up entirely to the company as to whether a risk should be accepted or not. There has been a great change in this respect within the past 15 or 20 years, for there was a time when this latter type of agent was in the minority, but I should say that such is not the case today. Competition, of course, has increased and with it the aggressiveness of the agent; also the high cost of living probably has something to do with the matter, for naturally the more business the agent writes the more money he makes, and the temptation is strong to earn all the commission possible.

Speaking of daily reports, the system of reporting business in this manner was adopted about fifty (50) years ago; the plan originated in the brain of Mr. Alexander Stoddard, founder of the firm of A. & J. H. Stoddard. Prior to the adoption of this plan of reporting business to the companies, the agents were in the practice of waiting until the end of the month and then reporting all the business that had been transacted during the month in one report, giving a full copy of the policies, including all the clauses attached thereto—all being written in long hand—so you can see what an advance has been made in the last half century in conducting this branch of the business. It was before the day of the typewriter and you can therefore see what an immense amount of detail work it involved in reporting the business in this manner, particularly in the case of large agencies. All this detail work did not fall upon the agent, by any means, for the speaker is not so old but what he can remember when he, as a young man, was registry clerk with one of our large companies, and his duties consisted of entering in registers in long hand a full copy of every policy that was issued in the local department of that company, which at the time did the largest business in the City of New York. Of course, these old-fashioned, cumbersome systems have long since gone by the board.

Touching upon the matter of binders, a curious case occurred five or six years ago in this State, showing that an agent does not always have time to even send a binder to the company before a fire occurs, and in the case referred to, indeed, there was no memorandum made as to which companies the insurance was binding in. The facts are interesting enough to relate.

The superintendent of a manufacturing plant called at the agent's office and gave an order for $10,000 additional insurance; the young lady clerk in charge made note of the order but did not distribute the insurance among the companies in the agency (which numbered 23), intending to leave that part to the agent himself when he returned to the office, where he was expected back within an hour or so, but before the agent returned a fire occurred and destroyed the entire property. Now, all of the companies in the agency had at various times written lines on the risk and at the time of the fire six of these companies already had lines ranging from $5,000 to $10,000 on the property; of these six companies one had its full authorized line, three were open to carry additional lines, and as to the other two it was not quite clear whether the agents could have bound them for increased lines without a previous submission. Under the conditions named you can readily see what a bad mix-up this was, so after considerable dis-

cussion and consideration of the matter it was decided to leave the adjustment of this additional amount to a committee of three arbitrators, all being prominent New York insurance adjusters. Their decision was that the $10,000 binder was not, when the fire happened, other insurance which the companies named in the apportionment could call on for contribution, but as the companies had consented to make good the loss regardless of legal liability, it was not necessary to inquire whether the failure to close the contract was due to the fault of the insured or to that of the agency, and if the latter, whether the agency was acting or failing to act as the insured's agent to select the companies; so they decided to cut the Gordian knot by dividing the sum equally among the seventeen (17) companies in the agency who had no other liability on the risk at the time of the fire. This was assented to by all the interested companies.

This is a case where the companies had no legal liability, but in the interest of justice and also to relieve their agent from a very embarrassing situation, they contributed to the loss.

Each month all agents are expected to send in what is known as an Account Current, being a record of the business transacted during the month. The account that has been pretty universally adopted is known as the Standard Account Current,

being on the form approved by the National Association of Local Agents during the year 1917 and adopted by the National Board of Fire Undrewriters, as well, during the same year. It provides for a brief synopsis of the business written, involving the policy numbers, amounts insured, gross premiums, return premiums, amount of commissions applying to each, and other credits, such as taxes paid by the agent, for which vouchers must be forwarded, Local Board expenses, postage when authorized by the company, and reinsurance effected by the agent, with a statement of the latter, if there be any.

Overdue balances is a fast growing evil, and one which will require serious and perhaps united treatment on the part of the companies if a change does not take place for the better. Many factors have brought about this condition of affairs, but primarily the companies are responsible for the same, due in a large measure to the laxity of a number of companies in not strictly enforcing a proper time limit for the payment of accounts. The average special agent, and indeed many companies, are most reluctant to bother an agent about balances unless it be an extreme case. This is surely a mistake, for in my opinion an agent has far more respect for the company that insists upon the settlement of its accounts when due than for those who are lenient or indifferent in this

connection. You can be reasonably sure that the companies showing this latter trait will be the last to be paid, and in event of trouble, such as the failure of an agent, and we have had such cases, naturally those who have shown the greatest leniency will be hit the hardest, and one can hardly feel real sympathy for them in their plight. The habitual delinquent is in the majority of cases a poor type of agent, for not only does he take up an undue amount of time at the hands of the company, and the field men as well, but, being invariably short of cash, he is naturally tempted to write all sorts of risks solely for the sake of the commission. There is but one way in which to deal with the delinquent agent, and that is with a firm hand. Naturally there will be exceptional cases where an agent through unfortunate circumstances, over which he has no control, will be unable to meet his balances when due; such cases should be carefully investigated and treated upon their individual merits.

In the selection of agents, the greatest care should be exercised by the special agents in looking into the general character, financial standing and debt-paying qualities of the appointee, and if there be any doubt as to this latter feature a suitable bond should be exacted in every case. It is only during the past few years that the time limit in which to pay balances has been extended beyond the thirty (30) days' period, and

while there are a few of the old-fashioned agents who still continue to send their checks with their accounts, or at the most take thirty (30) days, the generally accepted time in which to pay balances is now sixty (60) days, and there are quite a few agents, in fact altogether too many, who take even beyond this time.

It would not at all surprise me if at some time in the future the Insurance Departments take up this feature of the business and have legislation enacted that will control it just the same as most States now have an Anti-Rebate Law, for when you come to think of it, undue extension of credit for insurance premiums differs very little in principle from an actual rebate. As a matter of fact, an agent has no moral right to spend premiums which he collects on behalf of the companies, and if this doctrine were more steadfastly and persistently expounded by the special agents and companies alike, delinquent agents would soon become a diminishing factor in our troubles.

An agent should implicitly obey the instructions of his companies if he wants to avoid trouble. Some companies furnish their agents with a list of classes which they prohibit; also what is termed a line sheet naming the limits the agent may write upon certain classes of risks. If an agent deliberately violates such written instructions, he makes himself personally responsible for any

loss the company may sustain by reason of his action; also, if it can be proven that he has wilfully misrepresented a risk to the company, thereby causing the company a loss, he can be held responsible. I know of several such cases, and it may interest you to hear the details of the same.

In one case which came under my personal observation, an agent wrote a policy, correctly describing it as a dwelling-house in the policy, and on the daily report which was sent to the company he drew a diagram showing the dwelling to be detached over 100 feet from any exposure whatsoever. With such a description he was at liberty to write the policy at the minimum rate for the class, and the daily report was, in consequence, checked as O. K. by the Stamp Clerk, and was passed by the company without question. Now it developed that, instead of the dwelling being detached and free from exposure, it was in the midst of a frame range; in fact, it immediately adjoined a frame moving-picture theater; a fire started in this latter building and burned the whole frame row, including the dwelling-house described. Investigation was held by the company, when naturally all the facts developed, and it was shown that the agent misrepresented this risk to the rating authorities as well as to the company, because he wanted to write the policy cheaper than his competitors. As you may know, risks that

are situated as this one are rated specifically by the rating authorities, bearing a higher rate than the minimum rate. After the investigation of the company was complete the agent was sent for; he was faced with the facts and was told that he would have to make good the loss or sustain a law suit with the publicity of all the facts in connection with the case. The matter was finally compromised by the agent's paying one-half of the loss. The lesson was a very severe one, but richly deserved.

Another case that I know of is where an agent wrote a policy on a building that he described as a dwelling, with a privilege for unoccupancy in the form; it so happened that the company had canceled a policy on this building some years previous because it was not in good condition, so they wrote the agent and asked him if the property was now in good condition and occupied, and he replied in the affirmative to both questions. The building burned shortly afterward, and it developed that the building was in a dilapidated condition at the time of the fire and had not been occupied for some years previously, so that the agent deliberately misrepresented the facts. It is true that the policy had a privilege for unoccupancy, but that is quite general in the territory where this risk was located, and excites no special criticism on the part of the companies; nor would it have done so in this case were it not

for the fact that they had previously canceled a policy on this risk after inspection.

When an investigation after the fire developed all the facts, the agent was sent for and faced with the same, and he really could give no adequate explanation of his wilful misrepresentation, stating that he did not know how he came to say that the building was occupied, although he was under the impression that it was in good condition. As a result of his deliberate misrepresentation of the facts, the company forced him to pay the amount of the claim—which fortunately was but a few hundred dollars.

An agent can likewise be held responsible for his failure to cancel a policy when unqualified instructions are given to him in that respect. Some companies, when an agent does not promptly or within a reasonable time cancel a policy which he has been requested to recall, mail to him a registered letter calling his attention to the fact that the company will hold him personally responsible for any loss the company may sustain under the contract, and this invariably brings him to life and the policy is soon in hand.

An agent is supposed to promptly report all losses to the company, giving them, as far as possible, an estimate or percentage of the loss sustained under the policy involved, with a list of other companies, if any, inter-

ested. Blanks are always furnished by the companies for this purpose. Most companies expect their agents to wire losses of any consequence, although in many cases, particularly where there is need for immediate attention, telegrams are sent where the losses do not amount to a great deal in dollars and cents, but where quick action may save the company some money.

The majority of companies permit their agents to adjust small losses, say those under $50, and in the case of a few agents even higher amounts, but rarely are they permitted to adjust where the loss exceeds $100. These small losses are frequently paid by the agent and charged to the company in its current accounts; otherwise, they are paid by draft upon the company, whichever way the company elects. A charge is sometimes made by the agent for this service, but it should only be for actual expense incurred.

By handling small losses in this manner the company is saved the expense and time involved through having the Special Agent give the loss attention, and in addition the policyholder gets quick service, and in 99 cases out of 100 is well satisfied with what he receives, dealing as he does with someone he knows personally and in whom he has confidence. Once in a while the agent strikes a snag even in these small losses, the assured possibly demanding far beyond what he is justly entitled to, or there may be a question

of liability, and then the agent naturally calls upon the company or its special agent for assistance.

You will be surprised to know of the large number of losses that are paid by the companies where they have no legal liability. The public generally has an idea that fire insurance companies are out for the last ounce when it comes to paying a loss. There could be no greater mistake. If the people with such ideas could only spend a few months in the loss department of some large company their views in this respect would undergo a radical change. Just one illustration, for instance: I have seen many losses paid, particularly to poor people, where they have moved their effects from the place named in the policy to some other location, but had neglected to have their policy transferred for one reason or another. Of course, under such circumstances the company had no liability, but dozens of such claims have been paid, and in full, by the companies just the same, to my personal knowledge.

When an agent writes a policy covering his own property, he must have his act approved by the company, for otherwise the policy is invalid; for it has been held that an agent cannot legally issue a contract to himself or herself without the special authority or approval of the company insuring the property. Neither can an agent reinsure one company's business in another where he rep-

resents both companies without the consent of the reinsuring company. This latter feature is frequently disregarded by agents, largely through ignorance of the law covering the point, and most companies have a form letter that they send to the reinsuring company asking its approval of the transaction. In some cases, however, agents have a written understanding with their companies giving them such authority in advance, and also some companies by mutual agreement have the same understanding.

There are greater opportunities now for the agent than ever before in the history of the business, by which I mean there is a broader field for them by reason of there being so many new lines of business which have developed in the past few years, such as Automobile business, Compensation, Explosion, War Coverage, Sprinkler Leakage. I recently took note of the letterhead of an aggressive agency upon which was printed a list of the various lines of business which they handle, and they totaled 40. It is true that quite a few of these branches are of minor importance, but, nevertheless, the list as a whole is quite impressive. It will only take a minute to read it, and here it is:

Fire	Auto Liability
Accident	Auto Collision
Health	Auto Theft
Travel Accident	Auto Fire
Tickets	Baggage

Motor Cycle	Registered Mail
Burglary	Rent
Bank Interior, Messenger, Paymaster (Hold-Up)	Merchandise in Transit
Employer's Liability	Live Stock Transit
Workmen's Compensation	Live Stock Mortality
Bonding	Sprinkler Leakage
Elevator	Marine
Plate Glass	Breeders and Exhibitors
Race Horse	Teaming
Tornado	Salesmen's Samples
Hail	Use and Occupancy
Golfer's Policy	Explosion
Parcel Post	Tractor
Mail Package	Boiler
	Life

Likewise are the agents' commissions higher to-day than they have ever been before in the history of the business. I would guess that they average today about 21 per cent., as against a lesser amount some few years ago, but, of course, we must not overlook the fact that the cost of living also has materially increased; but on the whole, I should say that the agents are more prosperous today than ever before.

I believe there is considerable opportunity for women in the local agency field. It is estimated there are about 60,000 fire insurance agents in the United States, of which about one per cent. only are women; in other words, it is estimated that there are only about 600 women who hold agency commissions in this country, although it is a well-

known fact that in the large majority of local agency offices women clerks predominate. Indeed, in a great many cases they are practically the brains of the agency, but for some reason or other there are comparatively few who actively engage in this work as principals. Naturally, to win success one must work hard and be interested in her work, no matter how humble that work may seem to be. Those who show a special aptitude coupled with industry are bound to be recognized sooner or later, and compensated according to merit.

I do not believe a college education is necessary for a woman who wants to make a success of the insurance business. It is, of course, a valuable asset, but by no means a necessity. A girl entering business life at an early age has in many cases the same advantage that boys have, namely, the opportunity of learning the business from the ground up. I believe there is a large field open, as I said before, to young women in both agencies and companies that has scarcely yet been touched. For instance, I see no sound reason why a woman cannot become a good underwriter; in fact, there are many reasons why they should be successful in this important branch of the business. In the first place, a good underwriter must have a well-balanced judgment based to quite an extent on a naturally keen, intuitive sense, and such a quality is a most valuable asset

in the judging of risks. Of course, many other qualities must be developed largely through experience, for no underwriter worthy of the name can be called successful who has not been through the hard school of experience, all acquired at the expense of the company or companies for which they have worked; but one must learn to profit by the mistakes of the past, just like in every other line of business, but particularly must an underwriter profit by his mistakes. It is a branch of the business that is constantly presenting new ideas for thought, study and solution, and therefore is always highly interesting, and to a great many fascinating.

I fully expect to see in the not distant future many girls being trained for such positions, particularly if this great war continues for any great length of time; but if they are to be successful they must take their work seriously and work just as hard, if not a little harder, than the young men. They must be both patient and persevering, with the determination to succeed. Above everything else, they must be thorough. Superficiality is perhaps the greatest fault or weakness that an underwriter can possess, for it is the most expensive.

Do not get the idea, young ladies, that a keen interest in your work detracts in any degree from your femininity. I have heard that theory advanced, but I do not subscribe

to it for a minute. Let me tell you, that any man worth while admires *brains* and *industry* in a woman, and personality and charm by no means depart with such development.

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